

3rd Party Natural Gas Supply

What you need to know

Your Natural Gas bill consists of two parts – **Supply** and **Delivery**. In deregulated markets, you are able to choose an **Energy Supply Company (ESCO)** to handle the supply portion of your bill. The delivery portion of your bill will always be handled by your utility, also known as your **Local Distribution Company (LDC)**.

WHAT IS IN YOUR NATURAL GAS BILL

DELIVERY

Billed by your LDC, these charges pay for pipes, pump stations, maintenance crews and other costs related to the delivery of your Natural Gas. The rates are regulated by the Public Service Commission.



COMMODITY

The physical natural gas after it has gone through the refining process.

PRODUCTION

Physical Drilling or Hydraulic Fracturing (Fracking) releases unrefined natural gas from underground pockets.

SUPPLY

Billed by the ESCO of your choice, these charges recover the cost of producing Natural Gas ("Commodity") and transporting it to your LDC's receipt point ("Basis"). This portion represents about 60% of your bill. Choosing the right ESCO and the right product can greatly reduce this cost.

NYMEX

New York Mercantile Exchange is the commodity trading floor that sets the wholesale price of natural gas.

HENRY HUB

The primary natural gas trading hub in the US which is the exchanging point for NYMEX natural gas contracts.



BASIS

The cost to deliver the commodity from the Henry Hub to your LDC's city gate.

CITY GATE

The local receipt point where Natural Gas is distributed to the end user from ESCO by the LDC. City gates may also serve as a trading point for spot transactions.

WHAT ARE YOUR THIRD-PARTY SUPPLY OPTIONS?

Your choice of product determines how the various components of your supply are procured. There are many products to choose from, and NuEnergen is here to help.



FIXED PRICE, FULL REQUIREMENTS

All natural gas supply charges (NYMEX and Basis) are consolidated into a single fixed \$/decatherm rate. This rate is fixed for a long term - typically 1 to 5 years. This option can represent the lowest risk as the rate is fixed for a known period of time, but also has the highest premium. In our experience, we find that alternative products outperform a fixed-Full benchmark by approximately 10-20%. *(Price: high, Risk: low)*

SPOT PRICING

This product indexes your gas price to the daily market-based rate of the nearest trading hub. The result is that prices are low for the majority of the time, but can become higher during periods of extreme demand, such as cold winter months and summer heat waves (as natural gas is used to generate electricity) *(Price: low, Risk: high)*

BLOCKED NYMEX + BASIS

To retain the cost saving properties of the Spot product with the risk management of a Fixed Full, Blocked NYMEX + Basis allows you to fix specific volumes of the commodity basis by delivery month with very high granularity. By choosing which times of the year and the proper amounts to "Block out" (fix) your supply instead of leaving it on the index, you can buy risk protection only when necessary. *(Price: low, Risk: low)*

NEXT STEPS

NuEnergen's team of natural gas market experts will develop a comprehensive sourcing strategy to ensure you choose the best ESCO and the ideal product to optimize your unit costs while minimizing risk.